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HURT, CROSBIE & MAY PLLC

THE EQUUS BUILDING
127 WEST MAIN STREET
LEXINGTON, KENTUCKY 40507
(859) 254-0000
Fax: (859) 254-4763

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TO: Jeff Derouen FAX #: 502.564.3460

COMPANY: Executive Director, KY PSC

FROM: Matthew Malone DATE: July 16, 2009

RE: Interstate Gas Supply; Columbia Rate Case; 2009-00141

Number of pages including this cover page: 7

Comments:

Attached is a copy of IGS' Reply in the above-referenced case which we request be filed in the case. Original and copies will follow via US Mail. Thank you; please call with any questions or concerns.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:	:	Case No. 2009-00141
	:	
Application Of Columbia Gas of Kentucky, Inc.	:	
For an Adjustment in Rates	:	

INTERSTATE GAS SUPPLY, INC.'S REPLY TO COLUMBIA GAS OF KENTUCKY'S MEMORANDUM CONTRA

Comes Interstate Gas Supply, Inc. ("IGS") in reply to Columbia Gas of Kentucky ("Columbia") memorandum contra. In support of this reply, IGS states as follows:

BACKGROUND

IGS filed a motion to reconsider its petition to intervene in this matter on July 1, 2009. Columbia thereafter filed a memorandum contra on July 8, 2009. Regardless of Columbia's memorandum contra, IGS believes intervention to be proper as addressed herein.

LEGAL STANDARD

807 KAR 5:001, Section 3(8), establishes two alternative bases for full intervention in a Commission proceeding. The regulation provides in pertinent part:

> "If the commission determines that a person has a special interest in the proceeding which is not otherwise adequately represented or that full intervention by the party is likely to present issues or to develop facts that will assist the commission in fully considering the matter without unduly complicating or disrupting the proceedings, such person shall be granted full intervention."

To intervene herein, IGS needs to demonstrate (i) a special interest that is not otherwise adequately represented or (ii) that its full intervention is likely to present issues or develop facts that will assist the Commission without undue complication or disruption.

ARGUMENT

I. IGS HAS A SPECIAL INTEREST.

In this rate case, Columbia proposes a Price Protection Service ("PPS") and Negotiated Sales Service ("NSS") which directly compete with IGS. Columbia's proposed new services essentially provide customers with a fixed supply cost for natural gas with Columbia bearing responsibility for variability in gas supply cost. Columbia's proposed services are requested to be largely unregulated (e.g. Columbia may enter into financial hedges to control its risk (*See* p. 3 of Erich Evan's direct testimony).

IGS and other Choice suppliers provide almost indistinguishable services compared to Columbia's proposed PPS and NSS services. In fact, IGS is the largest competitive supplier in the Choice Program and serves over 20,000 customers within Columbia's service area through the program.

Columbia's proposed programs allow Columbia to offer customers a product which directly competes with CHOICE program suppliers however: (i) Columbia does not pay any the additional fees which CHOICE marketers pay (e.g. a 5 cent through put fee, a billing fee or a 2% discount); and (ii) Columbia appears to seek to subsidize these services using existing call center employees and advertising in utility bills. Basically, Columbia could offer a product indistinguishable to CHOICE marketers, including IGS, without many of the costs of CHOICE marketers. Moreover, if these programs are established as articulated by the tariff, CHOICE marketers and the CHOICE program would suffer substantially as Columbia would as a practical matter surely favor their internal PPS and NSS services compared to CHOICE suppliers – regardless of any statutory proscription denying favoritism in advertising to the contrary.

Additionally, CHOICE customers would suffer as the programs proposed by Columbia would diminish competition between Columbia, IGS and any potential additional new marketers considering entry into the Columbia service territory. Choice marketers would continue to compete for business in the Columbia service territory however at a distinct disadvantage from an expense standpoint. Simply put, if the PPS and NSS programs are granted herein, Columbia would be able to offer a product competing with CHOICE in the marketplace without many of the same restrictions and fees placed on CHOICE marketers and more specifically IGS – hence IGS and other Choice marketers' would be at a competitive disadvantage and the number of CHOICE marketers would further diminish.

IGS is the largest competitive supplier in the Choice Program. As a corporation, IGS wants to offer a competitively priced product to customers within the Columbia service territory. The PPS and NSS programs create direct competition for IGS – no other party to this proceeding has IGS' interest as a corporation regarding this matter in mind. Specifically, no other CHOICE marketer is involved herein and as such the fees (e.g. a 5 cent throughput fee, a billing fee or a 2% discount) attributable to the CHOICE program versus the PPS and NSS program are only attributable to IGS. IGS has a *special interest* herein not adequately represented by others as defined by 807 KAR 5:001 § 3(8).

II. CONCLUSION

As set forth herein, Columbia's PPS/NSS programs create a competitive disadvantage for IGS based on marketer fees versus no fees for Columbia and, likewise, the practicality of Columbia managing call centers for CHOICE customers and PPS/NSS customers. For the purposes of this matter, IGS will concede that the Attorney General will likely adequately represent the interests of its customers but the fact remains that IGS as a corporation and a CHOICE supplier has a *special interest* in these proceedings not adequately represented already.

If intervention is granted, IGS requests that the Commission permit Columbia sufficient time to respond to IGS' limited data requests.

In Columbia's most recent rate adjustment case (2007-00008) IGS filed a motion to intervene setting forth several issues and assertions involved in that case, which in turn led to litigation over intervention – and IGS eventually being granted full intervention. Issues arose in 2007-00008 which directly impacted IGS which were not fully briefed in its motion to intervene therein (e.g. Columbia seeking to extend the off-system sales revenue sharing/capacity release mechanism ("OSS CRM") for time period not in conjunction with the length of the Choice Program).

Based on the possibility of issues presenting themselves such as OSS CRM, IGS would ask that the Commission grant full intervention for IGS with no restrictions. However, if the Commission has concerns, IGS respectfully requests that the Commission grant IGS intervention limiting the scope of intervention to the issues of PPS/NSS or any issue relating to CHOICE.

Wherefore, IGS respectfully requests that the Commission reconsider its order denying intervention and that IGS be permitted to intervene in the above-referenced matter as addressed herein.

Respectfully submitted,

HURT, CROSBIE & MAY PLLC

William H. May, III
Matthew R. Malone
127 West Main Street
Lexington, Kentucky 40507
(859) 254-0000 (office)
(859) 254-4763 (facsimile)
Counsel for the Petitioner,
INTERSTATE GAS SUPPLY, INC.

Of Counsel:
General Counsel, Interstate Gas Supply, Inc.:
Vincent A. Parisi, Esq.
Direct Dial: (614) 734-2649
E-mail: vparisi@igsenergy.com
P: (614) 734-2616 (facsimile)
5020 Bradenton Avenue
Dublin, Ohio 43017

CERTIFICATE OF SERVICE

I hereby certify that an original was filed via fax and ten (10) copies of this Reply were served via US Mail, postage prepaid, upon Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40602-0615; furthermore, it was served by mailing a copy by first class U.S. Mail, postage prepaid, on the following, all on this 16th day of July, 2009.

Hon. Stephen B. Seiple
Columbia Gas of Kentucky, Inc.
200 Civic Center Drive
P.O. Box 117
Columbus, Ohio 43216-0117

Hon. Richard S. Taylor
225 Capital Avenue
Frankfort, Kentucky 40601

Hon. Dennis G. Howard, II
Hon. Lawrence W. Cook
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

Iris G. Skidmore, Esq.
415 W. Main Street, Suite 2
Frankfort, KY 40601

David F. Boehm, Esq.
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202

Robert M. Watt, III, Esq.
Stoll Keenon Ogden, PLLC
300 W Vine Street, Suite 2100
Lexington, Kentucky 40507

Hon. Tom Fitzgerald
Hon. Liz Edmonson
Kentucky Resources Counsel, Inc.
P.O. Box 1070
Frankfort, KY 40602

W.L. Wilson, Esq.
Corporate Counsel
LFUCG Dept. of Law
200 E. Main Street
Lexington, KY 40507

John M. Dosker, Esq.
Stand Energy Corporation
1077 Celestial Street, Suite #110
Cincinnati, OH 45202

ATTORNEY FOR INTERSTATE GAS SUPPLY, INC.